



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

C-10

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January 8, 2019

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt Specifications No. RFP FM18-126 and award a contract to Hinderliter, de Llamas & Associates (dba HdL Companies), of Diamond Bar, CA, for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services, in an annual amount not to exceed \$350,000, for a period of two years, with an option to renew for three additional one-year periods, at the discretion of the City Manager; and,

Adopt a Resolution authorizing HdL Companies to examine all records related to sales, use, and transaction and use tax, collected by the California Department of Tax and Fee Administration. (Citywide)

DISCUSSION

City Council approval is requested to enter into a contract with HdL Companies (HdL), for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services. State law requires that local jurisdictions adopt a Resolution authorizing consultants to review state records to perform revenue auditing and recovery services. City Council approval is requested to adopt a Resolution authorizing HdL to examine all records available with the California Department of Tax and Fee Administration (CDTFA) related to the City's sales, use, and transaction and use tax.

The Request for Proposals (RFP) was advertised in the Long Beach Press-Telegram on August 10, 2018, and 5,161 potential proposers specializing in sales, use, and transaction and use tax auditing, projection, recovery, and consultant services were notified of the RFP opportunity. Of those proposers, 23 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. A RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 22 local, minority, and women-owned business groups. Two proposals were received by the deadline of September 5, 2018. Of those two proposers, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), certified Small Business Enterprises (SBEs), or Long Beach businesses (Local).

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The selection committee determined that HdL Companies, of Diamond Bar, CA (not a MBE, WBE, SBE or Local), was the most qualified firm to provide the services. In addition to meeting the City's needs outlined in the RFP, the firm was chosen because it excelled in staff expertise necessary to conduct robust analysis on economic factors impacting the City and its sales, use, and transaction and use tax performance.

HdL's compensation covers sales, use, and transaction and use tax projection, reporting, access to its sales tax database, specialized analysis and support as requested by the City, in addition to 15 percent of new or misallocated sales and use tax revenues realized by the City as direct result of HdL's detection and correction. The 15 percent fee applies to the first six regular quarterly payments following the correction. The fee is also applied retroactively and is capped six quarters prior to correction for most cases. The proposed contract does not include a cap for the number of previous quarters for more complex cases requiring HdL to provide a more significant amount of time and resources.

Local Business Outreach

In an effort to align with the City's outreach goal, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the PlanetBids database to download the RFP specifications. Through outreach, 559 Long Beach vendors were notified to submit proposals, of which two downloaded and none submitted a proposal. The Purchasing Division is committed to continuing to perform outreach to local vendors to expand the bidder pool.

This matter was reviewed by Deputy City Attorney Amy R. Webber on December 14, 2018 and by Budget Analysis Officer Julissa José-Murray on December 13, 2018.

TIMING CONSIDERATIONS

City Council action to adopt Specifications No. RFP FM18-126, award a contract, and adopt a Resolution authorizing access to the City sales, use, and transaction and use tax information to HdL Companies is requested on January 8, 2019, to ensure continuous auditing, projection, recovery, and consultant services.

FISCAL IMPACT

The contract with HdL will not exceed \$350,000 annually, and is appropriated in the General Fund (GF) in the Citywide Activities Department (XC). The contract authority estimates quarterly payments at \$8,800, covering all sales, use, and transaction and use tax projection, analysis, reporting, and access to its sales tax database. In addition, \$45,950 is estimated to cover HdL's quarterly fee of 15 percent of new or misallocated sales and use tax revenues realized by the City as a direct result of the HdL's audit detection and correction efforts. This fee will be offset by revenues received by the City and accrued in the General Fund. Additionally, \$32,750 per quarter is estimated for specialized analysis and support, as requested by the City, on an as-needed basis. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



**JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT**

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K:\FM-ADMIN\CITY COUNCIL LETTERS\BUDGET\2019\01-08-19 CCL HDL CONTRACT AUTHORIZATION.DOCX

Attachment: Resolution

APPROVED:



**PATRICK H. WEST
CITY MANAGER**

1 RESOLUTION NO.
2

3 A RESOLUTION OF THE CITY COUNCIL OF THE
4 CITY OF LONG BEACH DESIGNATING HINDERLITER, DE
5 LLAMAS & ASSOCIATES TO EXAMINE SALES, USE OR
6 TRANSACTIONS AND USE TAX RECORDS OF THE CITY
7 OF LONG BEACH
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9 WHEREAS, on July 19, 2016, the City Council authorized a contract with
10 the California Department of Tax and Fee Administration ("CDTFA") to perform all
11 functions incident to the administration and collection of the Transactions and Use Tax
12 adopted by the voters and the local sales and use taxes; and

13 WHEREAS, the City deems it necessary for authorized representatives of
14 the City to examine confidential sales, use and transactions and use tax records of the
15 CDTFA pertaining to sales, use and transactions and use taxes collected by the CDTFA
16 for City; and

17 WHEREAS, Section 7056 of the California Revenue and Taxation Code
18 sets forth certain requirements and conditions for the disclosure of CDTFA records and
19 establishes criminal penalties for the unlawful disclosure of information contained in, or
20 derived from sales, use or transactions and use tax records of the CDTFA; and

21 WHEREAS, Section 7056 of the California Revenue and Taxation Code
22 requires that any person designated by City shall have an existing contract to examine
23 City's sales, use and transactions and use tax records;

24 NOW, THEREFORE, the City Council of the City of Long Beach resolves as
25 follows:

26 Section 1. That the Assistant Director of the Department of Financial
27 Management, or other officer or employee of City designated in writing by the City
28 Manager to the California Department of Tax and Fee Administration is hereby appointed

1 to represent City with authority to examine all of the sales, use and transactions and use
2 tax records of the CDTFA pertaining to sales, use and transactions and use taxes
3 collected for City by the California Department of Tax and Fee Administration pursuant to
4 the contract between City and the CDTFA. Information obtained by examination of
5 CDTFA records shall be used for purposes related to the collection of City's sales, use
6 and transactions and use taxes by the CDTFA pursuant to the contract.

7 Section 2. That the Assistant Director of the Department of Financial
8 Management, or other officer or employee of City designated in writing by the City
9 Manager to the CDTFA, is also hereby appointed to represent City with the authority to
10 examine those sales, use and transactions and use tax records of the CDTFA for
11 purposes related to the following governmental functions of City:

12 Section 3. Tracking and economic development;

13 Section 4. Forecasting and budget related functions;

14 Section 5. Detection of misallocations and deficiencies.

15 The information obtained by examination of CDTFA records shall be used
16 only for those governmental functions of City listed above.

17 Section 6. That Hinderliter, De Llamas & Associates is hereby
18 designated and authorized to examine all of the sales, use and transactions and use tax
19 records of the CDTFA pertaining to all sales and use taxes collected for City and any
20 transaction and use taxes collected for City under the following Transactions and Use
21 Tax Ordinances and any future Transactions and Use Tax Ordinances that may be
22 enacted in the City: Measure A (LBTG) - Effective January 1, 2017. The person or entity
23 designated by this Section meets all of the following conditions:

24 A. Has an existing contract with City to examine sales, use and
25 transactions and use tax records;

26 B. Is required by that contract to disclose information contained
27 in, or derived from those sales, use and transactions and use tax records
28 only to an officer or employee authorized under Section 1 of this resolution

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to examine the information;

C. Is prohibited by that contract from performing consulting services for a retailer during the term of that contract; and

D. Is prohibited by that contract from retaining the information contained in, or derived from those sales, use and transactions and use tax records after that contract has expired.

Section 7. The information obtained by examination of CDTFA records shall be used only for purposes related to the collection of City's sales, used and transactions and use taxes by the CDTFA pursuant to the contracts between City and the CDTFA and for purposes relating to the governmental functions of City listed in Section 2 of this resolution.

Section 8. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2018, by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk